

Message Text

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EXDIS LONDON MOOSE AND PETTERSON LUSAKA FOR AMB LOW

E.O. 11652 GDS

TAGS: PDEV, RH, AF

REF: STATE 185997 TOSEC 80176 SECTO 8076

SUBJECT: MEETING WITH MCNAMARA ON ZIMBABWE DEVELOPMENT FUND

US EXECUTIVE DIRECTOR TO THE WORLD BANK, EDWARD FRIED,

UK ALTERNATE DIRECTOR RONALD DEARE, AND DEPUTY ASSISTANT

SECRETARY CHARLES FRANK (IO) VISITED WORLD BANK PRESIDENT

ROBERT MCNAMARA ON TUESDAY, AUGUST 9 AT 6 P.M. FRANK

MADE PRESENTATION ON ZIMBABWE DEVELOPMENT FUND ALONG THE
FOLLOWING LINES:

-- FRANK RECALLED MEEING LAST DECEMBER AT WHICH
MCNAMARA WAS BRIEFED ON STATUS OF THE FUND AND SAID WE
WANTED TO BRING HIM UP TO DATE AND SOLICIT HIS VIEWS ON
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A NUMBER OF POINTS.

-- IN CONTRAST TO LAST UK-US SETTLEMENT PROPOSALS FOR

RHODESIA, FUND WOULD ASSUME A PROMINENT ROLE IN THE NEW
SETTLEMENT PACKAGE AS AN ELEMENT DESIGNED TO ASSUAGE WHITE
RHODESIAN CONCERNS ABOUT A BREAKDOWN IN THE ECONOMY.

-- THE FUND WAS NOT DESIGNED TO PAY DIRECT COMPENSATION TO WHITE RHODESIANS FOR PENSIONS AND LOSS OF PROPERTY. PENSIONS, AND RIGHT TO COMPENSATION FOR EXPROPRIATED PROPERTY WOULD BE PART OF PROPOSED CONSTITUTION AND OBLIGATIONS OF THE INDEPENDENT GOVERNMENT OF ZIMBABWE.

-- FUND WOULD PROVIDE GRANTS AND LOANS, INCLUDING PROGRAM LOANS, FOR CLEARLY DEFINED DEVELOPMENT PURPOSES. FOREIGN EXCHANGE PROVIDED BY FUND FOR DEVELOPMENT EFFORTS WOULD, HOWEVER, RELEASE OTHER FOREIGN EXCHANGE EARNINGS OF ZIMBABWE FOR PAYMENT OF PENSIONS AND REPATRIATION OF LIQUID ASSETS ACQUIRED THROUGH SALE OF PROPERTY BY WHITES.

--FUND'S CONTINUED OPERATION WOULD BE CONTINGENT ON IMPLEMENTATION OF TERMS OF SETTLEMENT. US AND UK WERE CONSIDERING TWO ALTERNATE METHODS, MODEL A AND MODEL B, OF MAKING THIS CONTINGENCY OPERATIONAL.

-- UNDER MODEL A, US AND UK WOULD AGREE BETWEEN THEMSELVES THAT THEIR PAYMENTS INTO THE FUND WERE CONTINGENT ON IMPLEMENTATION OF TERMS OF SETTLEMENT AS A WHOLE. LOANS AND GRANTS FROM MONIES ALREADY PAID TO THE FUND WOULD BE CONDITIONAL ON MAINTENANCE OF GOOD CLIMATE FOR DEVELOPMENT WHICH US AND UK BELIEVE WOULD IMPLY THAT

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ZIMBABWE GOVERNMENT SHOULD HONOR ITS OBLIGATIONS.

-- UNDER MODEL B, US AND UK WOULD TRY TO BIND OTHER DONORS BY NEGOTIATION OF CLAUSE IN ARTICLES OF AGREEMENT OF FUND MAKING BOTH CONTRIBUTIONS INTO FUND AND LOANS AND GRANTS BY THE FUND CONTINGENT ON THE IMPLEMENTATION OF THE TERMS OF THE RHODESIAN SETTLEMENT AS A WHOLE.

-- WE WISHED TO SOLICIT MR. MCNAMARA'S VIEWS AS TO WHETHER EITHER APPROACH, MODEL A OR MODEL B, WOULD CAUSE DIFFICULTIES FOR A WORLD BANK ROLE IN MANAGING THE FUND.

-- OUR VIEWS ON A WORLD BANK ROLE IN MANAGING THE FUND HAD EVOLVED. WE WISHED TO BE ABLE TO APPROACH OTHER POTENTIAL DONORS IN THE NEXT WEEK OR TWO AND INDICATE TO THEM THAT WE WOULD LIKE THE WORLD BANK TO ACT AS MANAGING AGENT FOR THE FUND AND THAT MR. MCNAMARA HAD AGREED TO PUT THIS PROPOSAL TO HIS BOARD OF EXECUTIVE DIRECTORS.

-- SHORTLY AFTER GOING TO THE DONORS ABOUT THE FUND,

WE PLANNED TO ISSUE A PUBLIC DOCUMENT DESCRIBING IN DETAIL

THE US/UK PROPOSALS FOR A RHODESIAN SETTLEMENT. THAT DOCUMENT WOULD CONTAIN A PARAGRAPH ON THE ZIMBABWE DEVELOPMENT FUND AND ITS ROLE IN THE SETTLEMENT PACKAGE.

WE GAVE MR. MCNAMARA COPIES OF THE PROPOSED PARAGRAPH DESCRIBING THE FUND IN THE PUBLIC DOCUMENT. WE ALSO GAVE HIM A COPY OF THE PROPOSED TALKING POINTS THAT WE

INTENDED TO USE IN OUR APPROACH TO POTENTIAL DONORS TO THE FUND.

MR. MCNAMARA ASKED A FEW QUESTIONS DURING AND AFTER THE PRESENTATION. HE WANTED TO KNOW WHETHER THE FUND WOULD MAKE DIRECT PAYMENTS TO WHITES FOR PENSIONS OR CONFIDENTIAL

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COMPENSATION FOR EXPROPRIATED LAND. HE SEEMED QUITE REASSURED THAT WE DID NOT WANT THE FUND TO MAKE SUCH PAYMENTS.

MR. MCNAMARA ALSO ASKED WHETHER THE FUND COULD BE USED FOR TECHNICAL ASSISTANCE PURPOSES. HE SAID THAT THERE WILL PROBABLY BE A NEED TO PROVIDE TECHNICIANS AND MANAGERS IF THE BANK WERE TO BE ABLE TO UTILIZE LARGE AMOUNTS OF DEVELOPMENT ASSISTANCE FUNDS EFFECTIVELY. THE AMOUNT OF TECHNICAL ASSISTANCE REQUIRED, OF COURSE, WOULD DEPEND ON THE EXTENT TO WHICH THERE WAS A WHITE EXODUS.

WE TOLD MR. MCNAMARA THAT WE DID CONTEMPLATE AN IMPORTANT TECHNICAL ASSISTANCE COMPONENT OF THE FUND'S ACTIVITIES. MR. FRANK POINTED OUT THAT IN SALISBURY WE HAD DISCUSSED CONVERTING TECHNICALLY-ORIENTED RHODESIAN CIVIL SERVANTS TO CONTRACT WITH THE FUND UNDER ITS TECHNICAL ASSISTANCE ACTIVITIES. MR. MCNAMARA THOUGHT THAT THIS WAS AN EXCELLENT IDEA.

MR. MCNAMARA READ QUICKLY THROUGH THE DOCUMENTS THAT WE GAVE HIM. HE SAID THAT HE PERSONALLY HAD NO PROBLEM WITH OUR APPROACH AND THAT HE WOULD BE WILLING TO GO TO HIS BOARD WITH THE KIND OF PROPOSAL WE WERE SUGGESTING FOR A WORLD BANK MANAGING ROLE. HE WISHED, HOWEVER, TO CHECK WITH HIS LEGAL PEOPLE AND A FEW OTHERS BEFORE GIVING US A DEFINITIVE ANSWER. AN APPOINTMENT WAS ARRANGED WITH MESSRS FRIED AND DEARE FOR FRIDAY, AUGUST 12, AT 2 PM TO CONVEY HIS DEFINITIVE ANSWER.

MCNAMARA SAID THAT HE WOULD PLAN ON INFORMING HIS BOARD BY MEANS OF AN INFORMATION CIRCULAR TO THE WORLD BANK EXECUTIVE DIRECTORS ABOUT THE TIME WE WENT PUBLIC
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WITH OUR SETTLEMENT PROPOSALS (PROBABLY AT THE SAME TIME WE WERE APPROACHING OTHER DONORS).

TO OUR SURPRISE, MR. MCNAMARA SAID THAT HE FAVORED MODEL B AS A MEANS OF MAKING THE FUND CONTINGENT UPON THE TERMS OF THE SETTLEMENT/ AS A WHOLE. HE SAID THAT HE WOULD HAVE TROUBLE WITH A VAGUE REFERENCE IN THE ARTICLES OF AGREEMENT MAKING LOANS CONDITIONAL ON THE ESTABLISHMENT OF A CLIMATE OF CONFIDENCE CONDUCIVE TO DEVELOPMENT. IN

THE PAST THE BANK HAS HAD GREAT PROBLEMS WITH CLAUSES OF THIS SORT. IN SOME COUNTRIES PROPERTY HAS BEEN EXPROPRIATED WITHOUT COMPENSATION BUT THE CLIMATE FOR DEVELOPMENT HAS REMAINED POSITIVE. HE WOULD RATHER HAVE THE POLITICAL CONDITIONS STATED CLEARLY AND UNEQUIVOCALLY.

HE STRESSED ALSO THAT HE DID NOT WANT THE BANK TO BE REQUIRED TO DETERMINE WHETHER THE TERMS OF THE SETTLEMENT WERE BEING HONORED. THAT RESPONSIBILITY SHOULD BE WITH THE GOVERNMENTS.

WE ASSURED HIM THAT IN EITHER CASE, MODEL A OR MODEL B, WE THOUGHT THAT THE DONOR GOVERNMENTS IN THEIR CAPACITY AS THE GOVERNORS OF THE ZIMBABWE DEVELOPMENT FUND, SHOULD MAKE THE DETERMINATION THAT THE TERMS OF THE SETTLEMENT WERE BEING HONORED. WE SAW THE BANK'S ROLE AS A TECHNICAL AND PROFESSIONAL CONTRIBUTION TO THE MANAGEMENT OF THE FUND.

MCNAMARA'S RESPONSE WAS VERY ENCOURAGING. HIS PRELIMINARY PREFERENCE FOR MODEL B SUGGESTS, HOWEVER, THAT WE MIGHT NOW AGREE WITH THE BRITISH AND INCLUDE IN THE "SPEAKING NOTES" FOR PROSPECTIVE DONORS THAT THE PROPOSED ARTICLES OF AGREEMENT OF THE FUND LINK THE FUND'S OPERATIONS TO THE IMPLEMENTATION OF THE AGREED SETTLEMENT ARRANGEMENTS. SINCE THE ARTICLES WOULD BE NEGOTIATED

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AMONG DONORS, IT IS PREMATURE TO TRY TO AGREE WITH THE BRITISH ON THE SPECIFIC LANGUAGE TO BE USED. WE SUGGEST THAT WHEN WE APPROACH THEM IN A WEEK OR SO WE SAY THAT "THE LINKAGE BETWEEN THE FUND'S OPERATIONS AND THE POLITICAL SETTLEMENT SHOULD BE REFLECTED IN THE ARTICLES ESTABLISHING THE FUND". CHRISTOPHER

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